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STATE FOR EAP/MTS AND ISN
SINGAPORE FOR DHS/ICE

E.O. 12958: DECL: 10/02/2027
TAGS: PARM PREL ETTC IR MY
SUBJECT: EMBASSY MEETING WITH ISNA-SANCTIONED TARGET
AIRFREIGHT, SEPTEMBER 26

REF: A. STATE 48862
1B. STATE 40030
1C. 06 STATE 203597
1D. KUALA LUMPUR 751
1E. KUALA LUMPUR 652
1F. KUALA LUMPUR 44

Classified By: Political Section Chief Mark D. Clark, reasons 1.4 (b, c, d).

Summary

11. (S/REL MALAYSIA) Polchief and econoff met with U.S. ISNA-sanctioned Malaysian firm Target Airfreight on September 26, in a meeting set up by the Malaysian Foreign Ministry. Target executives confirmed they shipped helicopter parts to Iran on March 31, 2004, at the request of an Indonesian firm, Aviotech Rotables. They provided us with documentation regarding the shipment. Target's managing director noted that Malaysian police had thoroughly questioned him in response to a U.S. request for Malaysia to investigate. In response to Target's request for assistance from Aviotech in the face of U.S. sanctions, Aviotech's director in Jakarta replied in June 2007 that the shipment did not violate Malaysian or Indonesian law. Target's director said he did not have knowledge of similar shipments to Iran, but would reconfirm this (the April 2007 round of U.S. sanctions against Target related to December 2004 and January 2005 shipment of U.S. aircraft parts to Iran). We will forward the complete documentation from Target to the Department.
End Summary.

12. (SBU) Polchief and econoff met with the Managing Director of Target Airfreight, Mr. Cheng Hock Seng (aka H.S. Cheng, DOB 3/20/56), and his Kuala Lumpur Branch Manager, Ms. Marfuah binti Mohd Kassim (DOB 1/23/62), on September 26 at the Embassy, in a meeting facilitated by the Malaysian Foreign Ministry. The U.S. imposed sanctions on Target Airfreight/Malaysia under provisions of the Iran-Syria Nonproliferation Act (ISNA) in December 2006 and again in April 2007 (reflets). Polchief opened the meeting by noting that the U.S. Government takes seriously violations of our laws on exports to Iran and Syria, and such actions had resulted in criminal prosecutions and convictions in the United States. Even though certain trade with Iran may not violate Malaysian statutes, U.S. law provides for sanctions against foreign entities when there is credible information they have transferred items to Iran or Syria from international and U.S. control lists. Polchief handed Cheng the two Federal notices on sanctions determinations from

December 2006 and April 2007, and explained that we could not provide further details on the activities that led to the sanctions against Target.

¶13. (SBU) Cheng admitted that Target shipped helicopter spare parts from Kuala Lumpur International Airport (KLIA) to Teheran Mehrabad Airport on behalf of an Indonesian firm, Aviotech Rotables, on March 31, 2004. Cheng provided copies of related documents, including the airway bill; packing list; letter of credit; Target's invoice of the shipment; email correspondence between Target and Aviotech Rotables; and a chronology of events related to the shipment. Iran's Bank Sepah served as the consignee for the shipment and issued the letter of credit for the amount of USD 501,723. The packing list indicates the shipment contained nine nozzles and were sold to Iran Aircraft Industries.

¶14. (SBU) Cheng stated that his company was not aware it had violated U.S. law when it accepted and completed the airfreight shipment in 2004. Cheng explained that his company received the aircraft spare parts from Jakarta via UPS courier service. Target's involvement was limited to issuing another airway bill on Iran Air (due to the letter of credit's requirements for a direct shipment to Iran) and also handling Malaysian customs formalities. In June 2007 Cheng emailed to Aviotech Rotables in Jakarta for advice on clearing Target's name. Aviotech director Ismail Razak replied that the shipment did not violate Malaysian or Indonesian laws.

¶15. (SBU) Cheng noted that Malaysian police had questioned him thoroughly three times in January 2007. The police explained that they were acting in response to the U.S. Government's request for an investigation. Due to Target/Malaysia's concern for its reputation stemming from

the public U.S. sanctions and the implications for its franchise headquarters in the U.S., Target had decided not to accept future shipments to Iran. Cheng hoped that the presentation of Target's information would serve to clear the company's name with the U.S. Government and remove the sanctions.

¶16. (SBU) Polchief asked if Cheng was aware of other Target shipments to Iran of a similar nature. We pointed out that Target was the subject of two sanctions determinations, December 2006 and April 2007, which would imply more than one activity in violation of U.S. law. Cheng said he was unaware of any other similar shipments, but would audit his files to be sure and share his findings, if any, with the Embassy.

¶17. (S/REL MALAYSIA) Note: The April 2007 sanctions determination related to shipment of F-5 aircraft engine components to Iran in December 2004 and January 2005 (ref B), and not the March 2004 shipment of helicopter parts which Target documented in our meeting. End Note.

¶18. (SBU) Polchief said the Embassy would forward the documents provided by Target to the State Department, but did not commit to any U.S. Government response. We have provided copies of the documents to relevant Embassy offices and will pouch the document set to EAP/MTS/Mike Taylor.

KEITH